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S E C R E T SECTION 01 OF 03 KUALA LUMPUR 000122

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TAGS: [ECON](#) [ECIN](#) [ETRD](#) [PREL](#) [PGOV](#) [MY](#)  
SUBJECT: MALAYSIA DPM NAJIB SEEKS STRONGER BILATERAL  
RELATIONS WITH THE U.S.

REF: A. KUALA LUMPUR 01010  
[1](#)B. KUALA LUMPUR 01013  
[1](#)C. KUALA LUMPUR 01026  
[1](#)D. SECSTATE 13998

Classified By: AMB James R. Keith, reasons 1.4 (b and d).

[1](#)1. (S) Summary: Deputy Prime Minister Najib reiterated Malaysia's desire to strengthen ties with the U.S. during a review of key issues in our bilateral relationship with the Ambassador on February 19. Najib extended an invitation for President Obama to visit Malaysia and encouraged other increased high-level contacts. Taking advantage of the Ambassador's planned consultations in Washington, the Deputy Prime Minister asked the Ambassador to convey his intent to conclude our bilateral FTA negotiations. Najib said he looked forward to hearing about the Obama administration's plans for the FTA talks upon the Ambassador's return to KL. He told the Ambassador that he intended to strengthen bilateral defense ties and that Malaysia would continue to play a cooperative and constructive role on security and counterterrorism issues in the region. Najib emphasized that he would strengthen the rule of law and civil society in Malaysia and would work to improve Malaysia's human rights record. In that regard, Najib volunteered that Malaysia would not use the Internal Security Act for political purposes. The Ambassador told Najib he looked forward to working with him to expand our cooperation in international fora and noted that creating a positive substantive bilateral agenda would be an essential stepping stone for productive high-level visits. The Ambassador also took the opportunity of the meeting to alert the DPM of U.S. concerns over Malaysia's consideration of a license for Iran's Bank Mellat and asked that Malaysia reject the application. The DPM closed by saying he wanted to work with the U.S. to ensure that contentious issues were dealt with before they started to fester and cause embarrassment.

[1](#)2. (C) Comment: DPM Najib was both warm and expansive during this extended review of issues with the Ambassador and spoke with understated confidence in his impending rise to the position of Prime Minister in April. Najib is signaling a more positive and proactive approach to our bilateral relationship than his predecessors. The Ambassador looks forward to exploring how we can make the most of this leadership transition in Malaysia during his upcoming consultations in Washington.

Dealing with the Economic Crisis

[1](#)3. (C) The Ambassador invited DPM Najib to begin the February 19 meeting by highlighting key messages he hoped the Ambassador would convey to the Obama Administration during upcoming consultations in Washington. Starting with the

ongoing global economic crisis, the DPM said President Obama,s fiscal and financial recovery plan had to work or the world would be in serious trouble. He expressed concern that the markets, so far, had not reacted positively to that plan and opined that ongoing financial scandals were not making it any easier to reestablish confidence. The DPM also stressed that protectionism was not the way to address the current economic crisis and that proposals such as the &buy American8 requirements of the U.S. stimulus package would be counterproductive. The world needed coordinated fiscal and monetary policy moves as well as freer trade, he said, and Malaysia would do its part. The DPM said he was getting ready to introduce Malaysia,s second fiscal stimulus package to Parliament on March 10, but he fully expected the Malaysian economy would not recover until the second half of 2010. The Ambassador told Najib that the President reiterated the November 15 Washington declaration opposing protectionism and he pointed out that the President had specifically stated that &buy American8 provisions in the stimulus package passed by Congress would not be allowed to contravene the U.S.,s obligations under the WTO or other international trade agreements. The economic crisis was a global issue and the U.S. was cooperating on a global basis to address it.

#### Malaysia Wants to Conclude Bilateral Free Trade Agreement

14. (C) Turning to the bilateral free trade agreement, the DPM reiterated his strong desire for a successful conclusion to the negotiations and asked the Ambassador to see what the Obama administration would need Malaysia to do to keep the negotiations on track (reftel a). The Ambassador observed

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Malaysia could expect the new administration to review our policy approach on trade in global, regional and bilateral frameworks, but that clear guidance would probably have to await the confirmation of President Obama,s nominee for USTR. In the meantime, the Ambassador encouraged the DPM to make every effort to send positive, concrete signals of Malaysia's readiness to engage constructively in the FTA negotiation. Now was the time for Malaysia to take initiatives that would help shape thinking on the FTA in Washington. The Ambassador noted that our visiting ASEAN Ambassador Scott Marciel would be seeking specific signals from Trade Minister Muhyiddin in this regard during a meeting scheduled for February 23.

#### Political/Security Issues

15. (C) Moving through his mental check list, the DPM assured the Ambassador that he fully intended to continue to strengthen our bilateral defense ties. On security/CT issues, the DPM said Malaysia would continue to play its part in the Southern Philippines working as a broker for the peace process. Malaysia, he said, would not tolerate any form of extremism, Muslim or otherwise, and would continue to support the strengthening of civil society and the rule of law in Malaysia. He specifically assured the Ambassador that Malaysia would not abuse its powers under the Internal Security Act by using it for domestic political purposes. In fact, Najib said, he would be working to improve Malaysia human rights record across the board, and among other things, would work to ensure that Malaysia was not a transit point for illegal activity, whether transshipment of equipment and technology or human trafficking. Najib said he welcomed the Obama Administration,s decision to close down the Guantanamo detention facility but noted Malaysia's continuing interest in the fate of two Malaysians being held at Guantanamo.

#### Iran and Bank Mellat

16. (S) With regard to Iran, DPM Najib assured the Ambassador that while Malaysia would continue normal trading ties, it would not allow any trade in dangerous items that had direct or dual use military applications. The

Ambassador welcomed this and said it would be particularly helpful if both sides could reach an agreed approach on sensitive issues like non-proliferation with respect to Iran that would align Malaysia with the objectives of the international community. In this regard, and per Ref D instructions, the Ambassador informed DPM Najib of the USG,s desire that Malaysia reject the application of an Iranian bank, Bank Mellat, to operate in the Labuan Offshore Financial Center. The Ambassador pointed out that Bank Mellat had facilitated transactions for UN sanctioned Iranian entities, including Atomic Energy Organization of Iran. Bank Mellat was already designated by the US and represented a real reputational threat to Malaysia. The Embassy had passed detailed examples setting out our concerns to the Ministry of Foreign Affairs and Bank Negara, the Ambassador said, and he hoped Malaysia would reject Mellat,s application. The Ambassador noted that the Embassy had good liaison with Malaysia,s Special Branch on issues related to Iran,s efforts to circumvent non-proliferation regimes, but the interaction in that channel had probably been taken as far as it could. Because larger issues and more Malaysian offices were involved, including Customs and the Attorney General's Office, we needed a comprehensive and structured policy discussion of Iran. Our exchanges on this topic would be enhanced if the DPM could name a counterpart for an ongoing policy dialogue. DPM Najib said he believed that Malaysia was clear on the policy level, implying that a more comprehensive policy discussion on Iran was not necessary (Note: the Ambassador will pursue suggestions for next steps during consultations next week. End note.)

Welcoming President Obama and Secretary Clinton to Visit to Malaysia

17. (C) Turning to bilateral exchanges, DPM Najib told the Ambassador he wanted to make a serious pitch for President Obama to visit Malaysia in November on the margins of the APEC Leaders Meeting to be held in Singapore or in conjunction with any other opportunity that might bring the president to Asia. The Ambassador said he would convey the DPM's message to Washington, recalling Secretary Clinton's announcement in Jakarta that we would sustain and deepen our commitments to regional fora such as ASEAN and APEC. The Ambassador suggested that these invitations had a greater

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chance of coming to fruition if a positive, substantive bilateral agenda was in place to justify them. Our bilateral relationship was good but there was room to make it better and to increase the pace of improvement. As an example, the U.S. would support Malaysia's participation in the Anti-piracy Contact Group, an important example of the kind of global and regional contribution the Malaysians could make to our shared international agenda.

KEITH